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**THE CAPITAL APPEALS PROJECT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 07 2012**

**P&N** Postlethwaite  
& Netterville

A Professional Accounting Corporation

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**THE CAPITAL APPEALS PROJECT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

## CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11 - 12
Schedule of Prior Year Findings and Responses	13 - 15

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
The Capital Appeals Project

We have audited the accompanying statements of financial position of The Capital Appeals Project (a nonprofit organization) (the Organization) as of June 30, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Capital Appeals Project as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2012, on our consideration of Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Postlethwaite + Netterville*

Metairie, Louisiana  
January 6, 2012

**THE CAPITAL APPEALS PROJECT**  
**NEW ORLEANS, LOUISIANA**  
**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2011 AND 2010**

	<b><u>ASSETS</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Current assets			
Cash and cash equivalents, unrestricted		457,233	\$ 343,619
Cash and cash equivalents, restricted		-	119,905
Grants and fee receivable		26,357	43,604
Total current assets		<u>483,590</u>	<u>507,128</u>
Property and equipment			
Leasehold improvements		15,706	15,706
Computers and equipment		34,223	28,828
Furniture and fixtures		8,205	5,889
		<u>58,134</u>	<u>50,423</u>
Less accumulated depreciation		<u>(28,013)</u>	<u>(23,079)</u>
Net property and equipment		<u>30,121</u>	<u>27,344</u>
Total assets		<u><u>\$ 513,711</u></u>	<u><u>\$ 534,472</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities			
Accounts payable		<u>\$ 6,423</u>	<u>\$ 18,147</u>
Total current liabilities		<u>6,423</u>	<u>18,147</u>
Net assets			
Unrestricted		507,288	396,420
Temporarily restricted		<u>-</u>	<u>119,905</u>
Total net assets		<u>507,288</u>	<u>516,325</u>
Total liabilities and net assets		<u><u>\$ 513,711</u></u>	<u><u>\$ 534,472</u></u>

See accompanying notes to these financial statements

THE CAPITAL APPEALS PROJECT  
NEW ORLEANS, LOUISIANA  
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES AND SUPPORT</u></b>						
Grant revenues	\$ -	\$ 1,099,703	\$ 1,099,703	\$ -	\$ 1,027,657	\$ 1,027,657
Fee revenues	66,875	-	66,875	151,805	-	151,805
Investment income	-	-	-	4,839	-	4,839
Donations	-	-	-	-	-	-
In-kind contributions	38,600	-	38,600	49,200	-	49,200
Net assets released from restrictions	1,219,608	(1,219,608)	-	907,752	(907,752)	-
Total revenues and support	1,325,083	(119,905)	1,205,178	1,113,596	119,905	1,233,501
<b><u>EXPENSES</u></b>						
Program services	1,149,754	-	1,149,754	1,052,252	-	1,052,252
Support services	64,461	-	64,461	57,576	-	57,576
Total expenses	1,214,215	-	1,214,215	1,109,828	-	1,109,828
Change in net assets	110,868	(119,905)	(9,037)	3,768	119,905	123,673
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	396,420	119,905	516,325	392,652	-	392,652
<b><u>NET ASSETS - END OF YEAR</u></b>	\$ 507,288	\$ -	\$ 507,288	\$ 396,420	\$ 119,905	\$ 516,325

See accompanying notes to these financial statements

**THE CAPITAL APPEALS PROJECT**  
**NEW ORLEANS, LOUISIANA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010		
	Program	Support Services	Total Expenses	Program	Support Services	Total Expenses
Salary and wages	\$ 666,398	\$ 10,000	\$ 676,398	\$ 589,050	\$ 10,000	\$ 599,050
Employee benefits	188,266	765	189,031	170,599	765	171,364
Professional fees	110,071	23,361	133,432	123,292	12,290	135,582
Rent	36,139	1,902	38,041	36,100	1,900	38,000
Overhead	82,422	4,338	86,760	74,354	3,913	78,267
Office supplies	3,905	205	4,110	3,458	182	3,640
Telephone	11,000	579	11,579	9,702	511	10,213
Postage	1,357	-	1,357	1,411	-	1,411
Administration	9,479	2,570	12,049	5,323	3,369	8,692
Travel and entertainment	25,008	1,240	26,248	20,093	1,262	21,355
Insurance	-	9,437	9,437	-	4,858	4,858
Depreciation	4,934	-	4,934	4,922	-	4,922
Miscellaneous	471	10,064	10,535	-	2,666	2,666
Dues and subscriptions	1,173	-	1,173	5,272	-	5,272
Continuing education	9,131	-	9,131	8,676	-	8,676
Misappropriation of assets	-	-	-	-	15,860	15,860
<b>Total expenses</b>	<b>\$ 1,149,754</b>	<b>\$ 64,461</b>	<b>\$ 1,214,215</b>	<b>\$ 1,052,252</b>	<b>\$ 57,576</b>	<b>\$ 1,109,828</b>

See accompanying notes to these financial statements

**THE CAPITAL APPEALS PROJECT**  
**NEW ORLEANS, LOUISIANA**  
**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (9,037)	\$ 123,673
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	4,934	4,922
Decrease in accounts receivable	17,247	19,203
Decrease in prepaid expenses	-	366
Decrease in accounts payable	<u>(11,724)</u>	<u>(19,120)</u>
Net cash provided by operating activities	<u>1,420</u>	<u>129,044</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sales of investment securities	-	149,707
Purchases of property and equipment	<u>(7,711)</u>	<u>(909)</u>
Net cash provided by (used in) investing activities	<u>(7,711)</u>	<u>148,798</u>
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	<u>(6,291)</u>	<u>277,842</u>
<b><u>CASH AND CASH EQUIVALENTS:</u></b>		
<b><u>BEGINNING OF YEAR</u></b>	<u>463,524</u>	<u>185,682</u>
<b><u>END OF YEAR</u></b>	<u>\$ 457,233</u>	<u>\$ 463,524</u>
<b><u>AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION:</u></b>		
Cash and cash equivalents, unrestricted	\$ 457,233	\$ 343,619
Cash and cash equivalents, restricted	<u>-</u>	<u>119,905</u>
	<u>\$ 457,233</u>	<u>\$ 463,524</u>

See accompanying notes to these financial statements



## THE CAPITAL APPEALS PROJECT

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of Significant Accounting Policies

##### History and Organization

The Capital Appeals Project (the Organization) is a 501(c)(3) non-profit law office established in 2001 to provide representation to all indigent defendants sentenced to death in Louisiana. The office represents clients in their direct appeals to the Louisiana Supreme Court and on *certiorari* to the United States Supreme Court. In addition to direct representation, the staff members also resource ongoing capital trials, provide training and consultation for capital defense attorneys, engage in public outreach and education on issues relating to capital punishment, and advocate for continued improvement in the criminal justice system.

##### Basis of Accounting and Presentation

The financial consolidated statements of the Organization are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Currently, the Organization has no permanently restricted assets.

##### Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include bank deposits and money market accounts.

##### Investments

Investments, consisting of mutual funds, are recorded at market value. Unrealized gains and losses on investments with readily determinable fair values are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor.

## THE CAPITAL APPEALS PROJECT

### NOTES TO FINANCIAL STATEMENTS

#### **(1) Summary of Significant Accounting Policies (continued)**

##### Grant and Fee Receivable

Grant and fee receivables are stated at the amount the Organization expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2011 and 2010, included in grant receivable is an allowance for doubtful accounts balance of \$35,938 and \$0, respectively.

##### Property and equipment

Property and equipment are stated at cost, less an allowance for accumulated depreciation. Expenditures for maintenance, repairs and improvements which do not materially extend the useful lives of the assets are charged to expense as incurred. When equipment is removed from service, the cost of the asset and the related accumulated depreciation are removed from the books and any resulting gain or loss is credited to or charged against the current period's change in net assets.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. Depreciation expense is \$4,934 and \$4,922 for the years ended June 30, 2011 and 2010. The estimated useful lives used in computing depreciation are as follows:

Leasehold improvements	39 years
Computers, reference materials, and equipment	5 to 7 years
Furniture and fixtures	7 years

##### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities.

As a result of implementing this approach, the Organization has reviewed its tax positions and determined there were no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore implementation of this standard has not had a material effect on the Organization. The Organization's tax returns for the years ended June 30, 2010, and June 30, 2009 remain open and subject to examination by taxing authorities. The tax return for the year ended June 30, 2011 has not been filed at the report date and is on a valid extension.

## **THE CAPITAL APPEALS PROJECT**

### **NOTES TO FINANCIAL STATEMENTS**

#### **(1) Summary of Significant Accounting Policies (continued)**

##### **Contributions**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Revenues from state grants are recorded when the Organization has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Organization, or when otherwise earned under the terms of the grants.

##### **Fee revenue**

Fee revenue from other non-profit entities are recorded when the Organization has provided the services requested, generally corresponding to the incurring of related professional service costs by the Organization.

##### **Donations**

Donated services are recognized as contributions if the services require specialized skills, and are performed by individuals with those skills, and would otherwise be purchased by the Organization. Included in contribution revenue for the years ended June 30, 2011 and 2010 is \$600 and \$11,200 for expert witness testimony contributed by a physician.

The Organization reports contributions of facilities as unrestricted support. During the years ended June 30, 2011 and 2010, the Organization has recorded an in-kind contribution of \$38,000 and \$38,000 for use of office space.

##### **Use of Estimates**

Management of the Organization has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

#### **(2) Concentrations**

The Organization maintains its cash in bank deposit accounts at various financial institutions in the Greater New Orleans area, which, at times, may exceed federally insured limits. At June 30, 2011 and 2010, the Organization's cash balance exceeded the insured limits by \$218,030 and \$288,199.

The Organization's receives approximately 80%-90% of its funding from the State of Louisiana Public Defender Board. Included in grant revenue for the years ended June 30, 2011 and 2010 is \$1,096,578 and \$989,858 from the State of Louisiana Public Defender Board.

## **THE CAPITAL APPEALS PROJECT**

### **NOTES TO FINANCIAL STATEMENTS**

**(3) Temporarily Restricted Net Assets**

At June 30, 2011 and June 30, 2010, temporarily restricted net assets of \$0 and \$119,905 were restricted for use on the expenses of establishing and maintaining a state capital appellate office and salary payments for a student fellowship

**(4) Line of Credit**

The balance on the line of credit is zero at June 30, 2011 and 2010. The Organization had a \$10,000 collateralized line of credit with a financial institution at June 30, 2011 and 2010. The line of credit has an interest rate of 3.25% and is secured by all assets of the Organization.

**(5) 401(k) Plan**

The Organization offers full-time employees who have completed six months of continuous service participation in its 401k plan. Employees may contribute up to the maximum level of deferral allowed by the Internal Revenue Service. The plan provides for employer contributions of 5% of each employee's eligible compensation. Employer contributions for the years ended June 30, 2011 and 2010 were \$26,398 and \$29,953.

**(6) Misappropriation of Assets**

In December 2009, the Louisiana Legislative Auditor performed a preliminary examination of the Organization's accounting records. The Louisiana Legislative Auditor performed additional procedures and issued a report on June 30, 2010. An employee used a total of \$276,069 of the Organization's funds from May 2004 through October 2009 by using a debit card to make unauthorized purchases and to withdraw funds. The employee resigned in November 2009. During the year ended June 30, 2010, included on the statement of activities is \$15,860 relating to the misappropriation of assets.

**(7) Contingency**

The Organization receives a significant amount of funding from the State of Louisiana and grantor agencies, which are governed by rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at June 30, 2011 and 2010 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state grants, therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Organization.

**THE CAPITAL APPEALS PROJECT**

**NOTES TO FINANCIAL STATEMENTS**

**(8) Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 6, 2012. The Organization entered into an agreement with the State of Louisiana Public Defender Board for funding of \$548,258 for the period from July 1, 2011 through December 31, 2011. The Organization entered into an agreement with the State of Louisiana Public Defender Board for funding of \$548,258 for the period from January 1, 2012 through June 30, 2012. Management has not identified any other events that require disclosure.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Directors  
The Capital Appeals Project

We have audited the financial statements of The Capital Appeals Project (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management of the Bureau and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Nettenville*

New Orleans, Louisiana  
January 6, 2012

**THE CAPITAL APPEALS PROJECT**  
**New Orleans, Louisiana**

**Schedule of Prior Year Findings and Responses**

**Year Ended June 30, 2011**

**Financial Statement Findings:**

**Finding 2010-01: Misappropriation of Assets**

**Condition** From May 2004 through October 2009, a former employee of the Organization used the Organization's debit card to withdraw funds of \$210,229 for personal use. In addition, \$65,840 of debit card transactions during the period lacked documentation to support the disbursement as an expense of the Organization.

**Criteria** The Organization is a non-profit entity that follows certain state statutes including R.S. 14:67. The statute R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. The Organization should maintain documentation for disbursements.

**Effect** As a result of the impact of the above, the employee withdrew the Organization's funds for personal expenses.

**Cause** The Organization did not have proper segregation of duties. The employee who committed the fraud was opening bank statements and not providing support for all expenditures for approval.

**Recommendation** The Organization should have proper segregation of duties in which one person opens bank statements and another performs bank reconciliations. Bank reconciliations should be reviewed by someone other than the preparer. This review should be documented. Also, a formal policy should be in place to have proper supporting documentation for all business expenses which should be approved before payment.

**Response** The employee who committed fraud was the former Director of the Organization. Following his resignation on November 2, 2009, the fraud was discovered by other employees and immediately reported to the Louisiana Legislative Auditor and Orleans Parish District Attorney. The Legislative Auditor performed an audit of the entire period during which the former Director served as Director, from May 2004 through October 2009, and issued a report of its findings on June 30, 2010. Following its own investigation, the District Attorney charged the former Director with multiple counts of theft. The former Director pled guilty to the charges of theft and is currently incarcerated.

All recommendations of this finding have been implemented. The debit card used by the Organization no longer allows cash withdrawals. The Director currently receives an email notification each time the debit card is used for a purchase. Currently, the Director opens bank statements and indicates examination and approval of them in writing, and the Bookkeeper performs bank reconciliations. The Director then reviews bank reconciliations. Financial reports are presented to the Board of Directors at its quarterly meetings. All requests for payment of business expenses are initially examined by the Office Manager to ensure that documentation is complete, and then approved by the Director prior to payment. The Office Manager then issues checks for business expenses. Business expenses are not approved for payment without appropriate supporting documentation.

**Current status:** Resolved



**THE CAPITAL APPEALS PROJECT**  
**New Orleans, Louisiana**

**Schedule of Prior Year Findings and Responses (continued)**

**Year Ended June 30, 2011**

**Finding 2010-02: Balance Sheet Account Reconciliations**

**Condition** During the course of the audit, adjustments were proposed to record transactions in the appropriate accounting period

**Criteria** The Organization should perform proper reconciliations to ensure all transactions are recorded in the appropriate period in order to prepare financial statements in accordance with *US Generally Accepted Accounting Principles* (GAAP)

**Effect** As a result of the impact of the above, the Organization had adjustments to the trial balance at June 30, 2010 in order to report in accordance with *US Generally Accepted Accounting Principles* (GAAP)

**Cause** Turnover in management positions caused the Organization to not perform the balance sheet account reconciliations

**Recommendation** The Organization should perform monthly reconciliations to ensure all transactions are recorded properly The reconciliations should be reviewed by someone other than the preparer

**Response** The recommendation of this finding has been implemented Currently, the Bookkeeper is performing monthly reconciliations which are then reviewed by the Director

**Current status:** Resolved

**THE CAPITAL APPEALS PROJECT**  
**New Orleans, Louisiana**

**Schedule of Prior Year Findings and Responses (continued)**

**Year Ended June 30, 2011**

**Finding 2010-03: Timeliness of Annual Audit Submission**

**Condition** The Organization did not engage an independent CPA or provide the results of an annual financial statement audit as of and for the year ended June 30, 2009 to the Louisiana Legislative Auditor

**Criteria** The Organization is a non- profit entity that follows certain state statutes including R S 24 513 The statute R S 24 513 provides, in part, that if state or local assistance received and/or expended by a quasi public agency or body is commingled with other funds of the quasi public agency or body then such state or local assistance and other funds of the quasi public agency or body shall be audited pursuant to R S 24 513

**Effect** As a result of the impact of the above, the Organization has not been in compliance with these requirements

**Cause** The Organization did not have an active Board of Directors to oversee the Organization In order to keep the fraudulent activities concealed, the employee who committed the misappropriation described in item 2010-01 did not engage an independent CPA

**Recommendation** The Organization should engage an independent CPA to perform an annual audit of its financial statements The annual financial statement audit should be submitted to the Louisiana Legislative Auditor in a timely manner

**Response** During the former Director's tenure, the Board of Directors never met and eventually dwindled to a single board member In November 2009, a full Board of Directors (eight directors) was elected, and the Board currently consists of nine directors Initially, the Board met monthly, then bi-monthly, and it currently meets quarterly

This year, the Board of Directors met with the independent auditor completing this report and ensured that the annual audit was completed The Board of Directors will continue to ensure, henceforth, that the Organization engages an independent CPA to perform an annual audit of its financial statements in compliance with R S 24 513

**Current status:** Resolved